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Communist China - USSR: The Chinese are intensifying their political attacks against Moscow while the Sino-Soviet border talks remain in recess.

In the strongest direct Chinese attack since the border talks began last October, Peking on 22 December denounced Moscow's current efforts to negotiate a "renunciation of force" treaty with West Germany. The People's Daily charged Soviet "collusion" with both West Germany and the US, and warned that Moscow intends to sell out the interests of East Germany and other East European states in order to divide up Europe with the US.

The Chinese article is obviously designed to aggravate current anti-Soviet feeling in Eastern Europe and to complicate Moscow's recent diplomatic efforts with both Washington and Bonn. The Chinese are undoubtedly concerned that Moscow's intention in these current talks is to secure its western flank in order to allow it to concentrate more military and diplomatic pressure against China.

Although Chinese polemics against Moscow have been restrained since the border talks began, Peking's commentary in recent weeks has become more strident. The scope of China's commentary, however, still remains limited and Peking has yet, for instance, to revive direct attacks against Soviet military activity along the Chinese frontier.

It is unlikely that the increased Chinese polemics will affect Moscow's intention to return Deputy Foreign Minister Kuznetsov to Peking to try once again to achieve some progress in the talks, which have been recessed since 14 December. Peking's commentary, however, suggests a continued tough Chinese stance when the talks resume.

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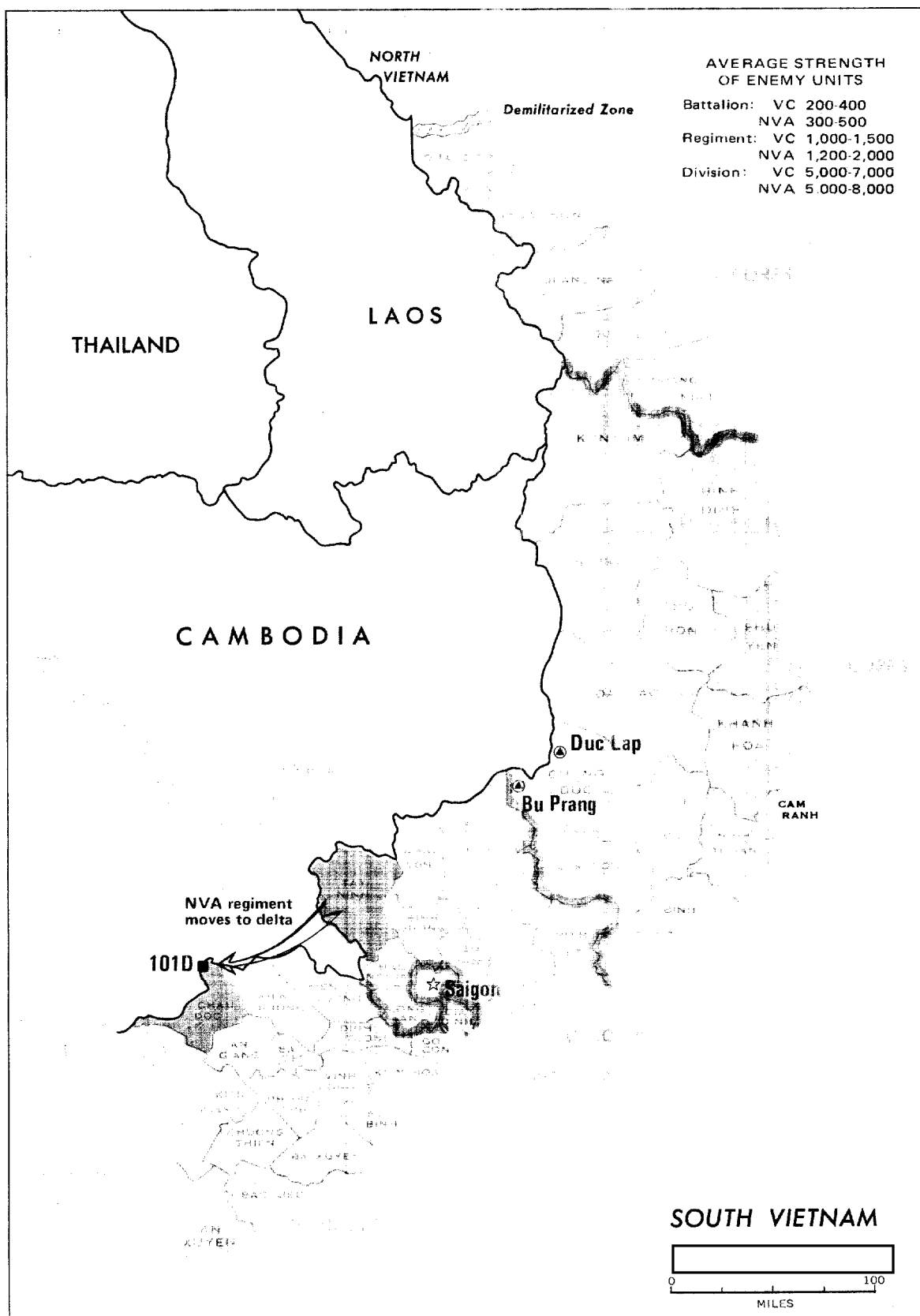
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South Vietnam: Significant fighting continued to center in the delta provinces south of Saigon on the eve of the holiday cease-fire periods.

In the latest actions, South Vietnamese troops in Chau Doc Province reported killing some 50 Communists while suffering only light losses. The pattern of sharp clashes in the delta and lighter combat elsewhere has prevailed generally since early December, when the enemy pulled back from Bu Prang and Duc Lap in the southern highlands.

Enemy documents captured recently in Chau Doc Province provide further evidence that another large North Vietnamese unit has shifted from the III Corps area to the delta. It now appears that between October and December the 101D Regiment moved some 80 miles southwest from its former position in Tay Ninh Province to Chau Doc. The 101D would be the fourth regular enemy regiment to shift from III to IV Corps since early last summer. The other units were the 273rd, 18B, and 88th regiments.

(Map)

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East Germany - West Germany: The draft treaty Ulbricht sent to Bonn is the "minimum, indispensable requirement" for normal relations, according to an editorial that appeared yesterday in all East German newspapers.

Like the treaty, the editorial is uncompromising in tone. It goes about as far as Pankow can go toward damaging the prospects for talks. Nevertheless, it concludes somewhat grudgingly that the East Germans still desire constructive negotiations.

Furthermore, the editorial, unlike the treaty, never specifically insists on the establishment of diplomatic relations, speaking only of relations valid under international law. This wording could be regarded as keeping the door ajar, albeit only slightly, for Chancellor Brandt's efforts to work toward de facto recognition of East Germany.

Bonn has already said it cannot accept Ulbricht's treaty. It will probably not, however, be deterred from continuing to probe the East German position, as Brandt promised earlier yesterday, with the hope of eventually opening some form of negotiations. Perhaps the most immediate problem posed for Brandt by the East German stance is the ammunition it provides to the West German opposition, which has claimed all along that Brandt's Eastern policy is ill-considered.

The editorial claims that East Germany's position was coordinated with its allies during the recent conference. An indication of the validity of this claim may come from West German Ambassador Allardt's latest talk with Soviet Foreign Minister Gromyko, which took place in Moscow yesterday.

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Czechoslovakia: The recent visit of Hungarian party boss Kadar is being used by Czechoslovak party leader Husak to foster the idea that his repressive policies will eventually be moderated.

During the visit, made by Kadar to see for himself the direction in which Czechoslovakia is headed, Husak praised the Hungarian's wisdom and moderation. Two days after Kadar went home, Husak, in an interview with a Hungarian correspondent, reiterated his intention to steer a moderate course between ultra-liberalism and archconservatism, a policy that has won Kadar dividends over the years since 1956. He stressed more than usual that extremists in both camps will be punished if they attempt to oppose him.

Husak explicitly stated for the first time that the regime has studied Kadar's policies in the aftermath of the 1956 Hungarian revolution and will adopt those measures applicable to Czechoslovakia. Implicit in his remarks is the idea that the present repressive policies are temporary, and that they will be lifted once the situation is under control. At the same time, Rude Pravo, the principal Czechoslovak party daily, has been publishing a series on the Hungarian "solution" and its relevance to Czechoslovak politics, attempting to put Husak in the same league as Kadar.

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Arab States: The Arab summit conference in Rabat, which ended yesterday, dealt primarily with Arab military preparations.

Although Arab moderates were able to prevent the conference from completely excluding the possibility of a peaceful solution to the Arab-Israeli conflict, the emphasis was on military developments. Cairo reportedly called for all Arab countries to commit troops and weapons to reinforce Egypt, Jordan, and Syria along the cease-fire lines. Opposition to this proposal prompted Egyptian President Nasir to walk out of the conference for a short period yesterday.

The Maghrebian states--Morocco, Algeria, and Tunisia--supported the Egyptian plan in principle but hedged when it came to pledging concrete support. Algerian President Boumediene, apparently still scornful of the Egyptian military showing in 1967, is alleged to have flatly refused Nasir's request for aircraft. Boumediene is quoted as saying, "We are prepared to give you anything you want if we are going to war with Israel, but if we are not going to fight then we are not prepared to give."

According to press reports, the fedayeen movement is to receive more money and arms. Arab governments are to give the Palestine Liberation Organization a minimum of \$19 million during the coming year. Boumediene reiterated his oft-repeated advice that the Palestinians should lead the Arab war to regain their lost homeland.



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European Communities (EC): The agreement on EC financing which emerged from a marathon negotiating session last weekend augurs well for both its internal development and its expansion to include new members.

The plan, which still must be approved by the six national parliaments, would increasingly finance the EC between 1971 and 1975 with receipts from customs duties in addition to the agricultural levies and member state contributions. In 1975, all such duties and levies and a portion of the tax on value added (TVA) in each member country would provide the EC's "own resources." The addition of the funds from the TVA, which could result in more equitable cost sharing among the members, would provide the Communities with a form of taxing power.

The French, eager to obtain agreement on a financing plan, went along with eventual increased authority for the European parliament which De Gaulle had long opposed. The plan would establish slightly enhanced budgetary powers for the European parliament for the years 1971-1974, and after 1975 the parliament would be able to overrule the member governments as represented in the Council with a three-fifths majority vote.

The accord satisfies the only condition that France insisted upon before the Six could begin work on a common position to carry out negotiations with the UK. The next test for the EC may come when the ministers attempt to face the dilemma of agricultural surpluses. The agreement this week should facilitate actual negotiations with the British, but progress on the surpluses will be necessary for both the future of the common agricultural policy and for British entry into the EC.

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Venezuela-Guyana: The Guyana-Venezuela Mixed Border Commission talks have again broken down.

There has been no official statement from either government concerning the sudden disruption of the talks, which opened in Buenos Aires last week.

[REDACTED]

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The commission, which was established in 1966 under the Geneva Accords, has met 14 times but has accomplished little. If there is no agreement by the time the commission is to expire next February, the disputants will have three months in which to find other remedies. Failing that, in June 1970, the case would be referred to the UN Secretary General for settlement.

Despite this diplomatic squabbling, press reports attributed to Foreign Ministry sources in Caracas say that another meeting of the commission will be held on 15 February.

[REDACTED]

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Lebanon-Israel: Lebanon may be subjected to a series of Israeli retaliatory strikes as a result of fedaveen attacks across the border. [REDACTED]

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[REDACTED] The Israelis have warned Lebanon that if such attacks continue they will resort to severe reprisals against such targets as fedaveen concentrations, Palestinian refugee camps, urban centers, and the Lebanese Army itself. Underscoring the seriousness of the situation, Lebanese and Israeli troops yesterday fought a 75-minute artillery duel. Should conditions deteriorate and Israel carry out its threat, Lebanon would find it difficult to resist demands that might be made by other Arab states to station their troops on Lebanese territory in order to protect it. [REDACTED]

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Libya: A new cabinet may soon be appointed by the military junta. [REDACTED]

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[REDACTED] the resignation of the prime minister, offered several times previously, has finally been accepted by the Revolutionary Command Council. Council President Qaddafi may name himself as prime minister following his return from the Arab summit conference and the conclusion of a meeting with the Presidents of Egypt and Sudan. Other cabinet posts may be filled by Qaddafi's associates on the council. These changes would tighten even further the junta's control of the country. [REDACTED]

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Cambodia: Phnom Penh/Sihanoukville Rail Link Completed



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25X1 Senegal - North Vietnam: Dakar will announce next week the establishment of diplomatic relations with Hanoi. Negotiations have been in progress with the North Vietnamese in Paris since President Senghor's visit to France last summer and final agreement was reached during his trip to Paris last week. Senghor hopes that his plans to recognize Hanoi will not provoke a rupture of Senegal's ties with Saigon. Although suspicious of most Communist regimes, Senghor tends to view Hanoi's leaders as nationalists with whom he shares a common legacy of French colonialism. [REDACTED]

* * * *

25X1 Cambodia: The long-awaited railroad link from Phnom Penh to Sihanoukville has been completed. The railroad will further enhance the economic importance of the port of Sihanoukville, which had already replaced Phnom Penh as Cambodia's principal port. After nearly ten years of survey and construction and many delays, the railroad now provides a continuous, low-cost transportation route connecting some of Cambodia's most important population and production centers. When the railroad becomes operational, the cost of supplying goods to the interior will be reduced, profits on exports will increase, and development of industry along the railroad right-of-way will be further accelerated.

[REDACTED] (Map)

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Italy: Approval of Prime Minister Rumor's proposal to discuss formation of a full coalition government by the four center-left parties has improved the political atmosphere troubled by recent bombings and labor disputes. The parties also reaffirmed their support of the present minority government, thus assuring its continuation while difficult formal negotiations take place in the new year. Although sporadic strikes may occur, labor pressure has eased as a result of the agreement reached this week on a labor contract in the pace-setting private sector of the metalworking industry. This was the last collective bargaining agreement in the important industrial sector that was up for renewal this year. [REDACTED]

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